

Formula	Money Purchase
<ul style="list-style-type: none"> Lower interest earnings credited to account balances. <i>Note: If the participant doesn't participate in the variable fund, the fixed interest rate has no effect on the formula calculation.</i> 	<ul style="list-style-type: none"> Higher fixed interest earnings (and variable earnings for variable participants) credited to account balances. <i>This factor alone can push the money purchase benefit higher than the formula benefit.</i>
<ul style="list-style-type: none"> For participants who terminate(d) employment after 1999, most of their creditable service was earned before 2000. <i>For participants who terminate(d) employment after 1999, higher formula multipliers are used to calculate retirement benefits for pre-2000 service under 1999 Wis. Act 11.</i> 	<ul style="list-style-type: none"> Either the participant's last WRS termination date is before 2000, or most or all of the service was earned after 2000. <i>If the participant terminated employment before 2000, the lower pre-Wis. Act 11 formula multipliers are used to calculate formula retirement benefits.</i>
<ul style="list-style-type: none"> High variable fund investment earnings in comparison to significantly lower fixed fund earnings. <i>High variable earnings combined with significantly lower fixed fund earnings will increase the variable excess balance, which in turn increases the variable adjustment to formula annuities.</i> 	<ul style="list-style-type: none"> The participant is over normal retirement age and has enough creditable service to reach the maximum formula benefit (it takes around 40 years for general/teaching/educational support category participants to reach the 70% maximum). <i>The maximum benefit limit does not apply to money purchase benefits. The money purchase benefit can therefore continue to grow even after the formula benefit has been capped at the maximum benefit limit.</i>
<ul style="list-style-type: none"> Steeper salary growth over the participant's WRS career, especially large salary increases in the last few years before retirement. <i>Past contributions plus interest are proportionately low compared to the final average earnings.</i> 	<ul style="list-style-type: none"> Relatively flat salary growth over the course of the participant's WRS career. <i>The accumulated contributions and interest are proportionately high compared to the final average earnings.</i>
<ul style="list-style-type: none"> Participant was restricted to 5% investment earnings through the late 1980's and most of the 90's. <i>These participants missed out on the high investment returns during those years, and the benefit of those earnings being compounded.</i> 	<ul style="list-style-type: none"> Participant's account is inactive for long periods of time (the participant is not working under the WRS, but doesn't close the account). This is true even if the participant returns to covered WRS employment for a short time before taking a retirement benefit. <i>The account balance grows with interest during the "inactive" years, but the creditable service stays the same. The longer a participant remains inactive, the more likely it becomes that money purchase will be higher.</i>

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<ul style="list-style-type: none"> The participant is older and/or has 30 years of service (or close to it), so there is little or no actuarial reduction applied to the formula annuity. <i>The participant's age has a greater effect on formula benefits than on money purchase benefits.</i> 	<ul style="list-style-type: none"> The participant is younger and has well under 30 years of service. There would be a significant actuarial reduction for early retirement applied to the formula annuity, but the yearly and monthly increments by which the money purchase factor reduces for younger participants is less than the actuarial reduction for early retirement in the formula benefit calculation.
<ul style="list-style-type: none"> The participant worked in covered employment during the years in which contribution rates were lower for that person's employment category. <i>Note: This is only applicable to employment categories other than general/teacher/educational support, since the employee required contribution rate has not changed for those categories.</i> 	<ul style="list-style-type: none"> The participant worked in covered employment during the years in which contribution rates were higher for that person's employment category. <i>Note: Again, this is only applicable to employment categories other than general/teacher/educational support, since the employee required contribution rate has not changed for those categories.</i>
<ul style="list-style-type: none"> The participant received credit for "free" years of service for which no contributions are made to the participant's account. Examples include military service under the "one-for-five" provision, prior service credit, service granted under the <u>Benson</u> or <u>Solie & Baxter</u> court decisions, etc. <i>The service increases the formula benefit, but does not affect the money purchase benefit because there are no contributions for the service to the participant's individual account.</i> 	<ul style="list-style-type: none"> The participant works far beyond normal retirement age (we have some participants who work well into their 80's). <i>After reaching normal retirement age the participant's advancing age has no effect on the formula benefit, but the money purchase factor continues to increase with age.</i>